An Abstract of

"Impact on agro-industries of Demonetization: A comparative Study of Pre and Post Demonetization Period."

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"Impact of Demonetization on Agro-Industries during pre and post period with special reference to Nanded District"

Introduction:

India has a great extent of dependence on agro sector as a primary sector. There are several modifications or innovations have taken place in order to define the criteria of relative importance to an agricultural sector. As each & every people living in society was ultimately dependent upon an agricultural sector. Agriculture is the backbone of our country, so it's very significant to learn or study those factors impacting on an agricultural sector. The number of farmers was bothered during the period of demonetization. Since pre-independence era, the number of employment opportunities was from agricultural sector. There are various processes included while production is made from agricultural sector. Agriculture and Industry have traditionally been viewed as two separate sectors both in terms of their characteristic and their role in economic growth. Agriculture has been considered the hallmark of first stage of development path. Agro –based industries are those which have either direct or indirect links with agriculture.

An agro industry is an enterprise that processes raw materials, including ground and tree crops as well as livestock. The degree of processing can vary tremendously ranging from the cleaning and grading of apples to the milling of rice, to the cooking. Agro industries can broadly be classified as **COTTON INDUSTRY, SUGAR INDUSTRY, OIL INDUSTRY, DAIRY INDUSTRY and FLOOR MILL**. The study shows an overall significant effect of demonetization on agricultural industries. The survey signifies to have a major impact on agro-industries occupied in Nanded District. The authentic number of industries classified into broad categories has been studied with aid of appropriate tools in a manner prescribed by research methodology. The decision regarding demonetization was purely against corruption or to curb the black money which is at a great extent in the Indian economy. It had impacted actually all sectors of Indian economy; here it is regarding agro industries to deal with the impact of the same. The research will find the impact that had on agro-industries occurred in the period since November to till date. The major areas to be highlighted are covered

in the survey by analyzing each & every sectors included in an Agricultural sector. It shows the impact on Investment, purchase behavior, transactions occurring between farmers and agro industries. The study will show the number of industries affected by the impact of demonetization.

The impact of demonetization is seen analytically in order to define the same in a comparative way to define the significant scope of each & every sector of agro industries. There will be individual significance to the area of agro industries to be studied in a manner prescribed from time to time. The relative significance of each agro sector can be determined by making comparative analysis of the same having impact of demonetization on it. Two periods are considered here regarding pre & post period to the demonetization. There are two phase of demonetization have been considered i.e pre & post impact of demonetization on agro industries. The number of agro industries affected by demonetization can be broadly defined as it covers whole of the area of survey. The research study will show an analytical study of having impact of demonetization on agro industries when there was no demonetization & after the evolution of demonetization. The evolution steps will be needed in order to stabilize the situation of agro industries collapsed due to the effect of demonetization as there were much more cash crunch or lack of liquidity position was seen.

It could raise an extent of agro sectors to the Indian economy if adequate steps have lain down by the authority in accordance with the provisions defined by them. There were so many hurdles were born by the people living in Indian economy as there have been a new concept born that impacted agro industries at an extent beyond the expected level of those suffered during the demonetization.

Demonetization:

The elimination of existing currencies or replacing the old currencies with new one, is known as demonetization. It is the act of stripping a currency of unit of its status as a legal tender. It occurs whenever there is a change of national currency. The current form of money is pulled from circulation and retired, often to be replaced with new notes or coins.

Demonetization for us means that Reserve Bank of India has withdrawn the old Rs 500 and Rs 1000 notes as an official mode of payment. The demonetization of Rs.**500** and Rs.**1,000** banknotes was a policy enacted by the Government of India on 8 November 2016, ceasing the usage of all **Rs.500** (US$7.40) and **Rs.1,000** (US$15) banknotes of the Mahatma Gandhi Series as legal tender in India from **9 November 2016**. This is usually done whenever there is a change of national currency, replacing the old unit with a new one. Such a step, for example, was taken when the European Monetary Union nations decided to adopt Euro as their currency. However, the old currencies were allowed to convert into Euros for a period of time in order to ensure a smooth transition through demonetisation. Zimbabwe, Fiji, Singapore and Philippines were other countries to have opted for currency demonetisation. In India's case, the move has been taken to curb the menace of black money and fake notes by reducing the amount of cash available in the system.

It is also interesting to note that this was not the first time the Government of India has gone for the demonetisation of high-value currency. It was first implemented in 1946 when the Reserve Bank of India demonetised the then circulated Rs 1,000 and Rs 10,000 notes. The government then introduced higher denomination banknotes in Rs 1000, Rs 5000 and Rs 10000 in a fresh avatar eight years later in 1954 before the Morarji Desai government demonetised these notes in 1978. On November 8 evening, Prime Minister Modi, in his televised address to the nation, made Rs 500 and Rs 1000 notes invalid, saying that it was aimed at curbing the "disease" of corruption and black money which have taken deep root. People holding notes of Rs 500 and Rs 1,000 can deposit the same in their bank and post office accounts from November 10 till December 30. All notes in lower denomination of Rs 100, Rs 50, Rs 20, Rs 10, Rs 5, Rs 2 and Re 1 and all coins continued to be valid, and new notes of Rs 2,000 and Rs 500 were introduced.

There was no change in any other form of currency exchange be it cheque, DD, payment via credit or debit cards etc. The government's move to demonetise, even then, was to tackle the issue of black money economy, which was quite substantial at that point of time. In January 1978, the Indian government demonetised Rs 1,000, Rs 5,000 and Rs 10,000 notes which was quite substantial at that point of time. The move was enacted under the High Denomination Bank Note (Demonetisation) Act, 1978. Under the law all "high denomination bank notes" ceased to be legal tender after January 16, 1978. People who possessed these notes were given till January 24 the same year — a week's time — to exchange any high denomination bank notes. The main difference between then and now is that currency of higher denomination was barely in circulation, unlike the Rs 500 and Rs 1000 note today.

India is a can based economy, hence the circulation of fake notes is likely to cause harm to the society. Fake notes are used for various inflammatory activities such as spying, smuggling of arms, drugs and other illegal traffic in India. The high denomination notes contribute 86% to the total supply of money in the economy. The value of these notes is more than 13% of GDP in 2016, which is much more than in any other developing country **like Brazil and China**. As per the reports number of fake notes in the banking system in 2006 was **1.24 lakh** and it went to **6.33 lakh in 2016** and also the share of high value notes increased f**rom 10.4% to 64% from 2006 to 2016**. To track the same issue of fake currency notes and to invalidate black money, the government of India announced that **Rs 500 and Rs 1000 notes** will be no longer legal tender from midnight, **November 8 2016**. This is not a new step in the history to demonetize the currency. **In 1946 first time** the currency of **Rs 1000, Rs 5000 and Rs 10,000** was demonetize and phase out these notes. In 1938 RBI printed the highest value notes of Rs 10,000 which was demonetized in 1946. Rs 1000, Rs 5000, Rs 10,000 were in circulation in1946 which was reintroduced in 1954 and further all these notes were demonetised in January 1978. Rs 1000 note was again introduced in November 2000. Rs 500 were circulated in1987 as an attempt to control the volume of bank notes due to inflation. Hence Rs 2000 note was introduced for the first time. In 1967 the bank notes with Ashoka pillar watermark were introduced. **In October 1987** the notes were imprinted with the **portrait of Mahatma Gandhi.** The Rs 50, Rs 100 banknotes were issued in august 2005, followed by Rs 500 and Rs 1000 in October

2005, which continued till November 2016. The liquidity crisis and clampdown on black money on account of demonetization headway is expected to impact the sectors that are based on cash transactions to a great extent.

Thus a comparative analysis will show the turnover, investment and likewise parameter to be studied to define the relative impact of demonetization on agro sector.

Demonetization includes both **positive as well as negative** aspects.

Advantageous of Demonetization:-

1. Eliminate the use of fake currency.
2. Fight with corruption due to holding of black money.
3. It helps to withdraw of old currency and bring unaccounted money into the banking system by a considerable increase in bank deposits.
4. It helps to make idle money productive.
5. Encourage digital payment mode to promote the cashless society.
6. It reduces illegal activities.
7. Reduces tax avoidance by encouraging higher tax payments.

Disadvantageous of Demonetization:-

1. Inconvenience to the public.
2. Huge economic cost to the nation.
3. Disruption of business activities.
4. Decrease in sales, especially cash based sales.
5. Labor/wage payment issues.
6. Additional printing and distribution cost of currency.
7. Problem-solution for small scale business that deal in cash.

Thus, a well planned demonetization system can prove beneficial for any economy of the nation with the strong support of public, and then overall success of policy will appear. Depending upon the characteristics as well as nature of the study it can be made possible to differentiate the merits as well as demerits of the demonetization. The maximum extent was towards the disturbances to an individual living in the society. The mode of transaction for the industries become difficult as there is no mode of cash available to the society. An overall impact was due to lack of an adequate supply of cash to the people living in a country.

Significance of the Study:-

The research study signifies the impact of government's decision regarding demonetization on agro-industries in a stipulated way. The study shows an impact of the same on classified sector of agricultural industries such as cotton industry, sugar industry, oil industry, textiles industry, dal mill, dairy sector and flour mill etc. The study will point out the individual agro industry facing various kinds of difficulties in the period of demonetization. As agro-based industries is the most important sector in an Indian economy. India ranks second worldwide in farm output. Agriculture and allied sectors like forestry, poultry logging accounts for nearly 1/5 th of the GDP.

Theoretical and empirical study has revealed a number of constant patterns in the development process of agro-based industries. The most basic impact here is secular decline the agricultural processing products. This relative decline is observed as a fall in the relative share of agriculture in value added, employment, trade and per capita consumption.

1. Agro-industry plays the fundamental role in supplying employment opportunities, income generation etc.
2. Agro sector contributes to the GDP to the more extent as it produces employment as well as income for each & every people living in a nation. Overall development of nation almost contributed by an agricultural sector.

3. Agro-industry helps to poverty eradication by providing capital and services to the farmers such as seeds and equipment, training, promotion and market information.
4. It is helpful in promoting entrepreneurship, raises demand for agricultural products and connects farmers with markets through the handling, processing, marketing and distribution of agricultural products.
5. The impact of demonetization leads to know the **share of GDP** in terms of agricultural sector.
6. The study will highlight the effect of cash crunch in the Indian economy particularly on the sector of agro based industries such as Cotton, Sugar, Oil industries, dal mill etc.

Objectives of the Study:-

The study will highlight the area of agro-based sector impacted by the demonetization especially the sectors; Cotton Industry, Sugar Industry, Oil Industry, Dairy Sector, Dal mill, Flour mill etc. it covers an investment policies, processing activities, distribution services and allied services affected by the Demonetized activities. The study will show an extent of production activities by processing of all kinds of agricultural techniques and sector wise manufacturing process. The study will also highlight upon the situation of agro industry in the area of investment, purchase behavior, textile process and allied deeds.

1. To highlight the impact of demonetization on the sectors of agriculture, such as Cotton industry, Sugar industry, Oil industry, Dairy industry, Dal mill and Flour mill.
2. To make an analytical study of impact of demonetization on agro industries during pre and post period.

3. To know an impact of demonetization on Investment of the agro industries in accordance with the transactions occurred during the pre and post period.

4. The study will reveal out the comparative significance of the agro industries during pre and post demonetization period.

5. To have an access of information about the turnover and investment of agro industries specified in the study before and after the demonetization.

6. To know the relative share of agricultural processes in GDP of a country, after the demonetization taken place.

Hypothesis:-

Based on the objectives mentioned above and relative significance of the study on impact of demonetization on agro industries the research study makes an assumptive statement, known as hypothesis. The research shows assumptions based on data collected and application of adequate research methodology in a way prescribed by the ideal survey. The formulation of hypothesis will be in accordance with the collection of data both from primary as well as secondary sources. It is an assumption or tentative statement formulated which is yet to be proven by applying statistical techniques and tests.

The selection of sampling also significant in order to define the relative significance of the final outcome and presentation in a scientific manner. The researcher have been formulated the following hypothesized statements. The research hypothesis has to be checked the possible approval or rejection of the statements. The wording of the hypothesis should be made simple & clearly, easy to read and understand. The hypothesis has to be relevant to the study designed to conduct a research in accordance with the provisions mentioned in the Research Methodology.

The researcher has been formulated the **following hypothesis**.

1. The total production or turnover during the last 3 years of pre demonetization was greater as compared to the after demonetization period.

2. Agro industries revealed out low relative share in GDP during post demonetization.

3. There is lower investment occurred in agro industries due to the demonetization impact as compared to the pre demonetization.

4. The relative share in the GDP was low in the period of demonetization.

5. During pre demonetization an Indian agro industries played a vital role to determine the growth of economy as compared to the post demonetization period.

Research Methodology:-

Research is a process of systematically obtaining accurate answers to significant and pertinent questions by the use of scientific method of gathering and interpreting information. This study is based both on primary as well as secondary data. The study is focused on determining the impact of demonetization on agro industries of the country and to analyze the change in trend progress of the Indian industries after and before the demonetization of currency note in 2016.

The researcher will follow the following methodology in order to arrive at an adequate research report:-

The study used a **descriptive survey design** by gathering factual as well as detailed information both from primary and secondary sources. The area of the study will be limited for **Nanded district**. The target population of the study will be from COTTON INDUSRY, SUGAR INDUSTRY, DAIRY INDUSTRY, OIL INDUSTERY, DAL MILL AND FLOUR MILL etc. these agro industries are concerned with the survey. Out of these a **census of 6** agro industries is taken. Out of these **10%** samples are randomly selected from each & every industries.

Particulars	**No. of Agro industry**	**No. of samples**
Cotton Industry	50	05
Dairy Industry	60	06
Sugar Industry	19	02
Oil Industry	49	05
Flour mill	19	02
Dal mill	13	01
Total	**210**	**21**

Source: - MIDC Nanded

The study of selection of sampling signifies a statistical distribution of no. of samples arranged in accordance with the **research methodology**. The number of agro industries is taken into consideration to make a generalized statement for the whole area of industries occupied. A representative sample is being selected in order to define the entire population of related agro industry.

From each agro based industries **10%** of samples have been selected in order to define the whole population.

Sampling Design:-

The research study will show generalized statements by using appropriate research tools with an application of scientific method. The researcher has selected 10% of samples randomly to define a generalized statement about whole population. Certain number of Cotton industries, Sugar industries, Oil industries, Dal mill, Flour mill and Dairy industries are taken into consideration to define the relative significance of population.

The research survey shows a descriptive study in which every aspects of the study can be entertained by using appropriate sampling techniques. The study will be for a period of 3 years of pre demonetization and post demonetization for the same year.

Collection of data:-

The study will be based on primary source of information mainly. Primary data will be gathered through the means of questionnaire, personal interviews, discussions with industrialists etc.

The secondary source of information is collected through magazine, Research articles, government institutions, websites, journals etc. This study is based on the secondary data i.e. financial information and data about the impact of demonetization taken from the news papers, magazines etc. The study is focus on determining the impact of demonetization on the industrial growth of the country and analyzes the change in trend of progress of the Indian industries after and before the demonetization of **currency note in 2016.**

1. **Primary Data**:-

   The data collected directly from first -hand experience, the primary date can be gathered from questionnaire, personal interviews, discussion with industrialist etc. the data or source of information is collected by the specified methods defined in research methodology. The data or processed form of an information is gathered by visiting agro industries individually by the researcher. More and accuracy have been found with the aid of primary data. It includes the following:-

   a. Interviews
   b. Discussions with industrialist.
   c. Questionnaires
   d. Experiment

2. **Secondary Data:**-

The type of source of information which is existed & can be applied by getting from someone else. Common sources for social sciences includes :-

a. Censuses
b. Government departments (MIDC Nanded)
c. Websites
d. Journals, Articles, Magzines.

The study is focus on determining the impact of demonetization on the industrial growth of the country and analyzes the change in trend of progress of the Indian industries after and before the demonetization of **currency note in 2016.** It analyses a comparative & analytical survey of pre and post demonetization period. The effect of both periods are determined to define the whole population in a manner prescribed by the appropriate research tools and methodology.

Scope & Limitations of the Study:-

The research study is limited to the area of agro industries consisting COTTON industries, SUGAR industries, DAIRY industry, OIL industries, FLOUR mill, and DAL mill. Some of the limitations regarding research of the particular area are outlined as below:-

1. The process of collection of data is time consuming as it gets more efforts in order to collect the same from agro industries, depending upon the geographical location of industry.
2. The research study is based on the recent event just before half a year; it results into to be more patience to make any generalizations regarding the study.
3. The study is more dependent upon the **primary source** of information rather than generally secondary source of information as it is somewhat difficult to obtain or collect the data from secondary source.
4. A small portion or area of study as **Nanded district** was taken for making generalization statement from the study due to **Time** as well as **Cost** factor.

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